

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 12 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 23, 2000

APA OPTICS, INC.

(Exact name of registrant as specified in its charter)

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| Minnesota (State or other jurisdiction of incorporation) | 0-16106 (Commission File Number) | 41-1347235 (IRS Employer Identification No.) |
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| 2950 NE 84th Lane Blaine, Minnesota (Address of principal executive offices) | 55434 (Zip Code) |
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Registrant's telephone number, including area code: (763) 784-4995

Item 5. Other Events.

On October 23, 2000, the Board of Directors of APA Optics, Inc. (the "Company"), declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of Common Stock, par value \$.01 per share (the "Common Shares"), of the Company. The dividend is payable on November 13, 2000 (the "Record Date") to shareholders of record on that date.

Each Right entitles the registered holder to purchase from the Company one one-hundredth of a Series B Junior Participating Preferred Share, par value \$.01 per share (the "Series B Preferred Shares"), of the Company at a price of \$80.00 per one one-hundredth of a Series B Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Share Rights Agreement (the "Rights Agreement"), dated as of October 23, 2000, between the Company and Wells Fargo Bank Minnesota, N.A., as Rights Agent (the "Rights Agent").

Initially, the Rights will attach to all certificates representing Common Shares then outstanding and no separate Right Certificates will be distributed. The Rights will separate from the Common Shares and a Distribution Date for the Rights will occur, subject to certain exceptions, upon the earlier of:

(i) the close of business on the fifteenth day following a public announcement that a person or group of affiliated or associated persons has become an "Acquiring Person" (i.e., has become, subject to certain exceptions, the beneficial owner of 15% or more of the outstanding Common Shares); or

(ii) the close of business on the fifteenth day following the commencement or public announcement of a tender offer or exchange offer the consummation of which would result in a person or group of affiliated or associated persons becoming, subject to certain exceptions, the beneficial owner of 15% or more of the outstanding Common Shares.

Until the Distribution Date,

(i) the Rights will be evidenced by the Common Share certificates and will be transferred with and only with the Common Shares,

(ii) new Common Share certificates issued after the Record Date upon transfer or new issuance of the Common Shares will contain a notation incorporating the Rights Agreement by reference, and

(iii) the surrender for transfer of any Common Share certificate, even without such notation or a copy of this Summary of Rights attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate.

As promptly as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to

holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on November 13, 2010, unless extended or earlier redeemed or exchanged by the Company as described below.

The Purchase Price payable, and the number of Series B Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution:

(i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series B Preferred Shares,

(ii) upon the grant to holders of the Series B Preferred Shares of certain rights, options or warrants to subscribe for or purchase Series B Preferred Shares or convertible securities at less than the then current market price of the Series B Preferred Shares, or

(iii) upon the distribution to holders of the Series B Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Series B Preferred Shares) or of subscription rights or warrants (other than those described in clause (ii) hereof).

The number of Series B Preferred Shares issuable upon the exercise of a Right is also subject to adjustment in the event of a dividend on Common Shares payable in Common Shares, or a subdivision, combination or consolidation of the Common Shares.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in the Purchase Price. No fractional Series B Preferred Shares will be issued (other than fractional shares which are integral multiples of one one-hundredth (subject to adjustment) of a Series B Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts) if in lieu thereof a payment in cash is made based on the closing price (pro-rated for the fraction) of the Series B Preferred Shares on the last trading date prior to the date of exercise.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights that are or were beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise thereof at the then current exercise price of the Right that number of Common Shares having a market value of two times the exercise price of the Right, subject to certain possible adjustments. For example, if the exercise price were \$80, each holder of a Right would be entitled to purchase \$160 in market value of Common Shares for \$80.

In the event that, after the Distribution Date or within 15 days prior thereto, the Company is acquired in certain mergers or other business combination transactions or 50% or more of the assets or earning power of the Company and its subsidiaries (taken as a whole) are sold after the Distribution Date or within 15 days prior thereto in one transaction or a series of related transactions, each holder of a Right (other than Rights which have become void under the terms of the Rights Agreement) will thereafter have the right to receive, upon exercise thereof at the then current exercise price of the Right, that number of common shares of the acquiring company (or, in certain cases, one of its affiliates) having a market value of two times the exercise price of the Right. Thus, if the exercise price were \$80, each holder of a Right would be entitled to purchase \$160 in market value of common shares of the acquiring company for \$80.

In certain events specified in the Rights Agreement, the Company is permitted to temporarily suspend the exercisability of the Rights.

At any time after a person or group of affiliated or associated persons becomes an Acquiring Person (subject to certain exceptions) and prior to the acquisition by a person or group of affiliated or associated persons of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange all or part of the Rights (other than Rights which have become void under the terms of the Rights Agreement) for Common Shares or equivalent securities at an exchange ratio per Right equal to the result obtained by dividing the exercise price of a Right by the current per share market price of the Common Shares, subject to adjustment.

At any time prior to the close of business on the date of a public announcement that a person or group of affiliated or associated persons has become an Acquiring Person, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$.001 per Right, subject to adjustment (the "Redemption Price"), payable in cash. The redemption of the

Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The Board of Directors and the Company shall not have any liability to any person as a result of the redemption or exchange of the Rights pursuant to the provisions of the Rights Agreement.

The terms of the Rights may be amended by the Board of Directors of the Company, subject to certain limitations after the Distribution Date, without the consent of the holders of the Rights, including an amendment prior to the date a person or group of affiliated or associated persons becomes an Acquiring Person, to lower the 15% threshold for exercisability of the Rights to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any person or group of affiliated or associated persons (subject to certain exceptions) or (ii) 10%.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A dated November 8, 2000.

A copy of the Rights Agreement is available free of charge from the Company by contacting the Secretary at APA Optics, Inc., 2950 N.E. 84th Lane, Blaine, Minnesota 55449. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

(c) Exhibits

99 Press Release dated October 26, 2000

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 8, 2000

APA OPTICS, INC.
(Registrant)

By: /s/ Anil K. Jain

Anil K. Jain
Chief Executive Officer

EXHIBIT INDEX

| Exhibit ----- | Description of Exhibit ----- | Page No. in Sequentially Numbered Copy ----- |
|------------------|---|--|
| 99 | Press Release dated October 26, 2000 | |

APA OPTICS, INC. ADOPTS
SHAREHOLDER RIGHTS PLAN

MINNEAPOLIS -- APA Optics, Inc. (NASDAQ National Market: APAT) announced that its board of directors has adopted a shareholder rights plan for the Company's Common Stock. The plan seeks to offer protection for shareholders in the event of a hostile takeover action, the Company said.

"The rights plan is designed to assure that APA Optics, Inc. shareholders receive fair and equitable treatment in the event of an unsolicited attempt to acquire the company," said Anil K. Jain, APA's president and chief executive officer. "The rights plan was not adopted in response to any outside effort to gain control of the company and the company is not currently aware of such activity."

The rights plan gives each holder of Common Stock the right to purchase 1/100th of a newly authorized preferred share that is essentially equivalent to one share of Common Stock. The exercise price for the rights is \$80.00 per right.

Shareholders do not need to take any action to receive the rights, which are being distributed in the form of a dividend on the Common Stock, the Company said. The rights will attach to all shares of Common Stock outstanding at the close of business on November 13, 2000, said APA. Shares of Common Stock issued after that date will be issued with rights, said the Company, and no separate right certificates will be issued unless the conditions set forth in the plan are met. APA said the rights are not currently exercisable and possess no current value, and the distribution of the rights is not taxable to shareholders. The rights expire on November 13, 2010.

The rights become exercisable by existing shareholders only when a buyer has acquired 15 percent or more of the outstanding Common Stock of the Company without the prior approval of the company's board of directors, or following the announcement of a tender offer for 15 percent of the outstanding Common Stock. If a person acquires 15 percent or more of the company's Common Stock, each right (except those held by the acquiring person) will entitle the holder to purchase shares of the company's Common Stock, having a market value of twice the right's exercise price, or, in effect, at a 50 percent discount from its then current market value.

If the company were acquired in a merger or similar transaction after a person acquires 15 percent of the company's outstanding Common Stock, without prior approval of the board of directors, each right would entitle the holder (other than the acquirer) to purchase shares of the acquiring company having a market value of twice the exercise price of the right, or, in effect, at a discount of 50 percent. Until the acquisition by any person of 15 percent or more of the company's Common Stock, the rights can be redeemed by the board of directors for \$.001 per right.

Forward-looking statements contained herein are made pursuant to the safe harbor provisions of the Private Litigation Reform Act of 1995. These statements are based upon the Company's current expectations and judgments about future developments in the Company's business. Certain important factors could have a material impact on the Company's performance, including, without limitation, delays in product development, delays in or increased costs of production, delays in or lower than anticipated sales of the Company's new products, delays in receiving parts or the ability to procure component parts, and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements. The Company undertakes no obligation to update such statements to reflect actual events.

APA Optics, Inc. designs, develops, manufactures and markets advanced products for the fiber optic communications, optoelectronics and laser industries, including dense wavelength division multiplex (DWDM) components, ultraviolet (UV) detectors, nitride epitaxial layers and custom optics.

October 26, 2000

Contact: Anil K. Jain, CEO, APA Optics, 763-784-4995
Robert Ringstad, CFO, APA Optics, 763-784-4995